

MONTHLY STAFF REPORT – April 24, 2000**I. STATISTICS**

.. Our monthly statistics report is attached. The 154 drilling permit applications received in February is the highest monthly total we have recorded in several years. We anticipate higher oil and gas prices to result in a significant increase in 2000 permit levels. Also note the level of website hits has been over 3000 per month for the last two months, which is double last year's monthly average level.

II. NORTHEAST COLORADO

.. Leyden Natural Gas Storage Facility

The attached press release from Public Service Company describes their plans to close their Leyden Natural Gas Storage Facility "because it is no longer compatible with surrounding development." We expect that our formal role in the closure will be to oversee the plugging and abandonment of the natural gas storage wells. I will be asking you to vote on the record today to request the Attorney General's Office to provide an opinion that would clarify the respective existing statutory and regulatory authority of COGCC and the Public Utilities Commission with respect to natural gas storage projects in general and the closure of the Leyden facility specifically. At this point it is unclear if COGCC has regulatory authority at the Leyden Facility to oversee: plugging and abandonment water withdrawal and observation/monitoring wells; reclamation of surface wellsites and access roads; removal of surface injection/withdrawal facilities and associated site reclamation; removal or abandonment of pipelines or flowlines; remediation of any potential environmental impact; or the general plans to close the facility.

.. ERF Projects

The Keota field restoration project was completed on March 17, 2000. Thirty-three cement bases were buried on site with landowner approval at a cost of \$3,185. The bids have been awarded for several Northeast Colorado ERF projects, including the Swan C-1, Renzelman, Blake and Reike plugging and restoration projects. The Swan C-1 and the Renzelman projects will be funded through the Black Thunder and Gopher bonds respectively, with the remainder of the project costs to be funded with ERF monies. The Reike project will be completely funded with the McCormick bond and is the first of three McCormick wells which will be plugged. The Blake project will be completely funded with ERF monies. The Renzelman project is scheduled to start on April 10, 2000. Ed Binkley will be supervising these projects.

III. NORTHWEST COLORADO

.. Northwest Colorado Oil and Gas Forum

The next meeting of the Forum will be held on Thursday, May 4 from 10:00 a.m. until 2:00 p.m. at the Rifle City Hall. The Forum, which consists of representatives from federal, state and local government, the oil and gas industry and all interested citizens, is co-chaired by Brian Macke and Garfield County Commissioner Larry McCown. Please contact Brian Macke at 303-894-2100 x122 or brian.macke@state.co.us to submit agenda topics for the next meeting.

.. Garfield County Oil and Gas Development Projection

- During the February 3 Northwest Colorado Oil and Gas Forum, Garfield County Commissioner Larry McCown asked COGCC staff to assist Garfield County with an oil and gas development projection. The general approach would be similar to that used in preparing the recent La Plata County Development Projection. COGCC staff will be meeting in the near future with Commissioner McCown, Garfield County Planner and Local Governmental Designee Mark Bean, and other county staff to begin

scoping the development projection project. One product would be a Geographic Information System (GIS) data layer that would show where oil and gas development could potentially occur. It is expected that the county would use this information as an additional tool to plan for growth in their county. The project is expected to start after the Commission conducts the Public Issues Hearing for the Barrett Resources increased density application for the Grand Valley, Parachute, and Rulison Fields.

Barrett Resources Increased Well Density Application.

At the March 2000 COGCC Hearing, the Commission approved the Barrett Resources application for 20 acre well density for the Williams Fork Formation of the Mesaverde Group for approximately 9,000 acres in the Grand Valley, Parachute, and Rulison Fields in Garfield County. The order for the increased well density was stayed pending a Rule 508 Public Issues Hearing, which was originally scheduled for the June 5-7 hearing that was to be held in Rifle. Under Rule 508, if any local governmental designee with lands located in the application area intervenes in the application to raise issues related to the environment or public health, safety, and welfare, the Commission shall convene a Public Issues Hearing to be conducted after the hearing on the application. The Public Issues Hearing has been called since Garfield County intervened in the Barrett Resources 20 acre density application.

On April 7, Barrett Resources and the other parties (Garfield County, the Mackley surface owners group, the Colorado Oil and Gas Association, and the Grand Valley Citizen's Alliance) held a pre-hearing conference to clarify the issues that will be addressed at the Public Issues Hearing. During the conference, it was determined that the parties will be requesting a continuance for the Public Issues Hearing to the July 10-11 COGCC hearing which will now be held in Rifle. The June 5-7 COGCC hearing will be held in Denver.

IV. SOUTHWEST COLORADO

Anticipated 160-acre Density Fruitland Spacing Applications and Local Public Forums

These applications have been filed for the April 24, 25 & 26 hearing. We have scheduled local public forums from 5:00 p.m. to 8:00 p.m. on April 4 in Ignacio and April 5 in Durango.

La Plata County Gas & Oil Regulatory Team (GORT)

A GORT meeting was held on April 6 at the La Plata County fairgrounds. Representatives from the BLM, La Plata County, SUIT and the industry were present. Some of the topics for the meeting were the Fruitland Coal application, EIS update, and a 3M project update.

The next GORT meeting is scheduled for June 12, 2000 from 8:30 a.m. to 12:00 noon at the La Plata County Fairgrounds in the Lightner Room.

La Plata County/San Juan Basin 3M Proposal – Update

Sharpe Drilling of Trinidad, Colorado was selected to drill and install the 3M monitoring wells. They have procured their performance bond and necessary insurance and a contract is being prepared for signing and approval. They have over 30 years of experience in water and monitoring well, and mineral and gas exploration in the western United States and Mexico.

COGCC has received a grant for \$80,000 from the US BLM – San Juan Field Office, which will be used to pay for coring and conducting desorption tests on various Fruitland coals, and monitoring equipment for the Basin Creek (Site 1) location. In addition, the BLM has been working with US Department of Energy to obtain \$75,000 to pay for the monitoring well cluster at the Basin Creek (Site 1) location.

Softrock Geophysical Services Inc. of Durango has been selected to perform the coal desorption

analysis.

BLM continues the permitting process with the US Bureau of Reclamation (BOR) for the westernmost location (Site 1), which is located approximately 1,000 feet below the toe of the proposed Animas-La Plata Project dam.

Staff is currently working with BLM to acquire private access to a site on BLM land south of Durango (Site 2).

We are in the process of negotiating the final terms of the access agreements with the landowner for the proposed location at Florida River (Site 4). In addition, we are in the process of procuring a permit for drilling the wells on the BOR easement at this location.

The agreement with BP Amoco for accessing and drilling Site 7 has been signed. We appreciate their cooperation.

We have received the approved special use permit for the two easternmost locations (Sites 9 and 10) from the US Forest Service and continue negotiations with the landowner for access to Site 9.

The next meeting of the 3M Technical Peer Review Team will be held on April 26, 2000 in Denver at the COGCC offices. Preliminary modeling results will be presented and discussed.

V. SOUTHEAST COLORADO

.. Las Animas County Water Feasibility Study

Las Animas County has awarded a contract to prepare a water feasibility study for Widow Woman, Long and Madrid Canyons area. Attached is a letter from Bob Brooks, Executive Director, Department of Local Affairs, outlining the process for the county to receive state funds.

VI. ENVIRONMENTAL ISSUES

.. Water Quality Control Commission/Division Quarterly Meeting

Our quarterly meeting with the WQCC and WQCD was held on April 11, 2000. COGCC Commissioner Johnson attended and WQCC Commissioner Satterfield participated via conference call. The next quarterly meeting will be held on July 12 at the COGCC.

VII. ORGANIZATION

.. Staff Organization

Our current organization chart is attached. We would like to welcome Robert Chesson who joined our staff as an Environmental Protections Specialist II on April 17, 2000. Robert will be covering the northwest portion of the state.

.. Staff Organization

Attached is a letter commending Morris Bell for his participation in the Caspian Environmental and Regulatory Partnership Program.

VIII. PLANNING/ADMINISTRATION/OTHER

1999 Outstanding Oil & Gas Operations Award

The deadline for nominations for the COGCC 1999 Outstanding Oil and Gas Operations Awards was April 15. We will be submitting a list of nominations to you for your approval in the near future.

Budget "Change Request" Items

The following are the FY 00-01 budget "change request" items that you approved during the June and July hearings:

·	Information System Maintenance	\$44,121
·	Field Workstations	\$77,912
·	Well Log Digital Imaging	\$242,382
·	Raton Basin Groundwater Investigation	\$234,625

The Joint Budget Committee (JBC) held the figure setting hearing for the Oil and Gas Conservation Commission FY 00-01 Budget Request on February 1. During the hearing the JBC decided to approve all of the above listed change requests except for the \$77,912 Field Workstation item which was denied. The Field Workstation item had previously received strong support from the Governor's Office of State Planning and Budgeting as well as the Governor's Office of Innovation and Technology. The COGCC has submitted a comeback request for the Field Workstation change request to the Department budget staff.

Draft Budget Change Request FY 01-02

I presented the proposed FY 01-02 budget change requests for Severance tax funding of \$101,400 to index our document images and \$252,930 for well data cleanup to the MEGA Board at their April 3 meeting. The change requests received support from members of the MEGA Board oil and gas subcommittee. The Commission had voted to approve these change requests during the March 2000 hearing.

Colorado Oil and Gas Information System ("COGIS")

The new information system for COGCC has been named the Colorado Oil and Gas Information System ("COGIS"). COGIS is made up of the new database management system, the Geographic Information System ("GIS") and the document imaging system. All of these systems are available on the Internet, for use by staff and in the public room.

The database application consists of a forms processor that stores data that is entered into the system by the data input staff which can be reviewed by appropriate technical staff for quality control and compliance. Data access is provided by an online query application to view individual records on the computer screen. Reports are being developed to provide access to multiple record data sets.

GIS is made up of two parts. The plat mapping tool spots wells, pits, and other associated facilities. This tool will be used to replace the existing individual township plat maps. The other GIS tool is the Autodesk Mapguide application that displays statewide data including wells, pits, land ownership, spacing, surface water, surface geology, municipalities, roads, etc. The Autodesk Mapguide allows for zooming, panning, printing and redirection to the database queries. This application is available on the Internet.

The document imaging system contains digital images of all paper records of the COGCC. The

historical records have all been scanned including cement bond logs and oversize hearing exhibits. The images are available on the Internet.

The impact of all of these new systems substantially effects the processes that COGCC staff uses to complete its work. Work continues on program fixes, bugs, training, documentation, and modifications to the workflow to fit the new methods of data processing. As these issues are worked through any delays in form approvals and data distribution experienced by COGCC customers should be resolved. Data migration and cleanup continues, although this will be a long term project. The results will be well worth the effort.

Electronic Levy Reporting

A format has been created and tested to accept quarterly Conservation Levy Reporting Forms, Form 8. This format is described in the attached document titled "Oil and Gas Conservation Levy, Form 8, Specifications. It can also be found on the Internet under the same title at <http://cogcc.state.co.us/documents.html>. Electronic filing of levy data will help reduce the data input requirements and data entry errors thus enabling faster turn-around time of all documents. Electronic submission may be made by email attachment to ogcc.eforms@state.co.us or by mailing 3.5-inch diskette or CD. Questions should be directed to Sharon Tansey at (303) 894-2100 x128.

Production Reporting by E-mail

COGCC is preparing to directly contact multiple well operators who are not currently reporting electronically to encourage them to do so. Electronic filing of production data helps reduce the data input requirements and data entry errors thus enabling faster turn-around time of all documents. Electronic submission may be made by email attachment to ogcc.eforms@state.co.us or by mailing 3.5-inch diskette or CD. To assist operators in understanding the new production reporting form, the codes used on the form and the data format for reporting electronically, COGCC staff have prepared a document titled "Monthly Report of Operations, Form 7 Specifications". This document is available on the COGCC Web Site at <http://cogcc.state.co.us/documents.html>, or from the COGCC office. Questions should be directed to Sharon Tansey at (303) 894-2100 x128.

Minerals, Energy, Geology Advisory (MEGA) Board

The next meeting is scheduled for April 3 in Denver.

COGCC on the Internet

The COGCC continues to expand its Internet presence. Access to the COGIS database is now available. Select the "Info Systems" button off the COGCC homepage. The GIS and Document Images are available via the same selection. This continues to be a work in process so it will change on a regular basis. There is an email link on the COGIS Main Menu page that can be used to let us know of problems and suggestions.

We continue to redesign our Web pages to provide improved customer service. The public is invited to leave comments or suggestions for improvements at the COGCC Internet site at <http://cogcc.state.co.us>. Our e-mail address is dnr.ogcc@state.co.us.

Customer Feedback on Web Site

We continue to receive very positive feedback from several customers regarding our web site and the expanded access to well files, GIS and our database.

Request to Resume NGPA Well Determination Process

A group of operators/organizations has petitioned the Federal Energy Regulatory Commission ("FERC") for rulemaking to resume FERC's NGPA well determination review process to enable producers to claim Section 29 tax credits. FERC has scheduled rulemaking on this matter for April 2000. Under the original program, the COGCC was responsible for receiving and reviewing applications, noticing for hearing and issuing orders with recommendations to the FERC on each application. COGCC staff supports this effort to allow wells not previously designated an opportunity to receive important tax credits. In order to reduce the need for additional resources, COGCC staff has recommended to the petitioners that they encourage the FERC to approve a streamlined process of review for the remaining wells in need of NGPA well determination. COGCC staff will prepare comments to be submitted to the FERC by April 10, 2000 on the proposed rulemaking.

Penalties Status

Attached is a revised table showing the status of penalties paid and penalties pending collection. Penalties pending collection over sixty days old have been referred to State Collections so they can attempt to collect these penalties.

June Hearing Docket

A preliminary docket for June has been provided.

IX. VARIANCES GRANTED BY THE DIRECTOR UNDER RULE 502.b.

A variance to rule 317(l) was granted to Exxon Mobil Production Company on the Johnson Fee #1 well for their proposed cementing program. The proposed cementing program will not meet the 24 hour and 72 hour compressive strength standards set forth in Rule 317.(l), but will develop sufficient compressive strength at actual downhole temperatures and pressures. The variance is required to allow the operator to address high pressures and temperatures and long pumping times associated with a well this deep.